S. HRG. 100-114

NOMINATION OF M. DANNY WALL

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF M. DANNY WALL, OF VIRGINIA, TO BE CHAIRMAN OF THE FEDERAL HOME LOAN BANK BOARD FOR THE TERM EXPIRING JUNE 30, 1991, VICE EDWIN GRAY, TERM EXPIRING

JUNE 18, 1987

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THURSDAY, JUNE 18, 1987

U.S. SENATE,
COMMITTEE ON BANKING,
HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 2:45 p.m., in room SD-538 of the Dirksen Senate Office Building, Senator William Proxmire (chairman of the committee) presiding.

Present: Senators Proxmire, Garn, Hecht, D'Amato, Sanford, Dixon, Cranston, Bond, Sarbanes, Gramm, and Shelby.

OPENING STATEMENT OF CHAIRMAN PROXMIRE

The CHAIRMAN. The committee will come to order.

Mr. Wall, will you rise and raise your right hand.

[Witness sworn.]

The CHAIRMAN. This afternoon, we consider the nomination of M. Danny Wall, to serve as Chairman of the Federal Home Loan Bank Board.

I know Danny as the Republican Staff Director of this committee, and I supported him for this job. He has been a formidable opponent, the few times Senator Jake Garn and I have disagreed, and a very valuable ally when Jake and I were in tune. So I think this hearing will be very pleasant.

It is also a serious hearing, because the person who becomes Chairman of the Federal Home Loan Bank Board faces one of the most difficult tasks of all financial regulators today, especially now. Our thrift industry is throttled by record failures. The job of the next Chairman will be to use efficiently the money provided in the FSLIC recapitalization plan to close thrifts that are draining the Fund. Naturally, this will be an unpopular, thankless task. It will also be a delicate task. The first 4 months of this year, the industry collectively lost some $14 billion in deposits, apparently because of customer worries regarding their accounts.

Beyond this, there is the debate over the changing shape of the financial industry. Some question the very purpose of a thrift industry. In today's hearings, I look forward to hearing from you on the very pressing issues and challenges. Senator D'Amato.

OPENING REMARKS OF SENATOR D'AMATO

Senator D'AMATO. Well, thank you very much, Mr. Chairman. I am just pleased to be here and to see someone who I consider a friend, a distinguished servant of the public and of this committee, obviously someone who Senator Garn holds in great esteem, going well beyond just coming from the State of Utah and having served with him to such great integrity. And I believe that Dan Wall is going to do an outstanding job and certainly one with total dedication and commitment to the important task of bringing back the vibrant strength of the FSLIC operations.

So I am just pleased to be here, Mr. Chairman.

The CHAIRMAN. Senator Hecht.

OPENING REMARKS OF SENATOR HECHT

Senator HECHT. Thank you, Mr. Chairman. I am also here to show my support for you, Danny, and I look forward to working with you. You've done a great job on the Banking Committee, and I know you will do a good job on your new assignment.

The CHAIRMAN. Senator Garn.

OPENING STATEMENT OF SENATOR GARN

Senator GARN. Thank you, Mr. Chairman. I believe, in 12½ years, this is the first time I have appeared before this committee. [Laughter.]

But it is a pleasure to be here, although I appear with sincere mixed emotions. I don't know that I have ever worked so hard in my life to cut off my right arm. And that is what I have successfully done.

I am sure that no one on the committee needs an introduction of Dan Wall. All of you have had the opportunity to work with him for a long number of years to understand his professional capabilities and his dedication to the Senate and the work of the Senate Banking Committee.

But I have had a long association with Dan, so as much as I am convinced that he is the best possible nominee for this job at this time under a very difficult set of circumstances, it is hard for me to see him leave, because we have worked together now for 16 years, since 1971, when I became Mayor of Salt Lake City, and he became Director of our Redevelopment Agency in Salt Lake City. So that association has not only been professional but a very close personal relationship with him and his family.

Today I want to emphasize one essential point, because you all know Don's qualifications and have seen his work firsthand. The longer that I have observed people in public office, either those elected or appointed, the more I noticed that what's valued most is integrity and honesty. All of us have seen too much in this building, in Washington, and in other places around the country, of people who are intellectualy dishonest, who are vague in their answers, who are wishy-washy, and who are never quite sure where they stand.

I think, without doubt, the best qualification Dan has for this job is his personal integrity and honesty.

Mr. Chairman, you mentioned sometimes when we would have differences of opinion. That is true. I am sure no Member of this committee or a member of the staff would ever say that they didn't know exactly where Dan Wall stood on an issue. He's always up front and candid.

Now if there is ever a time that we needed that kind of personal integrity, it is in the situation we face with all of the difficulties at FSLIC, the Federal Home Loan Bank Board, and the savings and loans of this country.

There is simply no way that I have the vocabulary to describe to this committee the admiration and personal friendship that I have for Dan Wall or my respect for his ability and for his integrity, and it is a loss to me personally to have him go. But considering the job that needs to be done down there, I guess I am glad to make the personal sacrifice. It is an association that I hope will continue and that because of both yours and my personal relationship with Dan, that we will be able to be of assistance to him and have a relationship, an oversight relationship, where we, as Members of Congress, can help alleviate the situation, particularly when it is such a difficult task for Dan to take on at this time.

I thank you for your support, Mr. Chairman, of Dan's nomination. That was invaluable with the administration. It was certainly critical that you supported him early as did many other Members of the committee. And I can assure you that, as we watch Dan perform at the Federal Home Loan Bank Board, we will look back and say what a wise decision the administration made, and the fact that Dan was nominated and that we had the good sense to confirm his nomination.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Garn, do I gather from your remarks that you will support Mr. Wall for this appointment? [Laughter.]

Senator GARN. I think you can assume that.

The CHAIRMAN. Mr. Wall, if you have anything you'd like to say, go right ahead, sir.

OPENING STATEMENT OF DANNY WALL

Mr. WALL. I have a couple of introductions and brief comments, if I might, Mr. Chairman.

First of all, I would very much like to introduce my wife, Alvina. Just one week and one month from today, we will celebrate our 27th anniversary. And I would like Alvina to stand.

And our baby is with us——

[Laughter.]

Our son—our baby, and he doesn't like that, and I'm in trouble, as you can see by the size when he stands up. Our son, Dan, is with us. Our daughter is between master's degrees. So she's in Minneapolis at this point attending the University of Minnesota.

Let me say, by way of just a quick review of background as a way of identifying the experience that I have had here and prior to coming here. I spent 13 years in local government. Senator Garn has indicated I spent 4 years in local government with him in Salt Lake City. He has referred to local government many times as "in the trenches," and clearly, it is. It is in the trenches. It is closest to

the people. It is most responsible and responsive, hopefully, to the people.

So I had an, indeed, 13-year training experience in that process, beginning, as Senator Garn said, in working with him in June of 1971. Then moving to Washington to join his staff as he was just putting it together, as Senator. I joined him in February of 1975, covering, from the very beginning, this committee. So this committee has been my principal responsibility for Senator Garn from day 1.

I would observe at that point, Senator Proxmire, that, of course, you were just beginning your chairmanship, your first chairmanship at that point, as Senator Garn was elected. And then a few years later, Senator Garn began his chairmanship.

Perhaps I could say his first chairmanship. We'll see. [Laughter.]

The CHAIRMAN. Oh, you were right the first time! [Laughter.]

Mr. WALL. I have spent, altogether, 12 years and 5 months covering this committee, part of the time on the committee staff, to my good fortune and part of the time from Senator Garn's staff.

I am most honored to now have been nominated by the President, a man whose personality, whose very person I admire, whose policies and whose philosophy, I share. It is a natural and a comfortable affiliation that I take on, now moving to the Executive Branch once more.

As I look around this room, there are clearly more historic, prettier, fancier rooms in Washington, but for me, there is no room more meaningful, and I sincerely mean that.

I can remember, as I have thought about this day, my very first lesson in finance from my father. Probably my fifth birthday, which would mean 42 years ago, I got a silver dollar, and I was going to take the silver dollar down to the end of the block from our family grocery store to the bank. And I wanted him to explain to me that that silver dollar would be there—that same silver dollar would be there when I wanted to go down and get it sometime later. And he, in his wisdom, pointed out to me that that's not the way it works, because if it did work that way, I could just as well stick it in the mattress or in a piggy bank.

So from perhaps age 5, I began to understand the system that we have in this country, a wonderful system, a system that Senator Garn and Senator Proxmire have described as the strongest in the world and the most significant in the world, because of its variety, because of its robustness, and clearly, that is something we have to be hoping for and working for again.

The industry that I undertake to work with is a very important industry, one that has deep roots in this country and a long history. The first savings banks in this country were created in 1816. And the first savings and loan, by the way, in Boston and Philadelphia, respectively. The first savings and loan was begun in what was a county adjacent to Philadelphia in 1831. So that this is an industry that has a long history and an important—has had and will continue to have an important role in this country.

And it is up to all of us, the Executive Branch, to which I move, the Legislative Branch, and certainly, as well, the Judicial, as they will be playing more and more role in the process.

There are any number of issues before the committee and before the Bank Board and between the committee and the Bank Board, and they, clearly, are not going to go away with my movement from the committee to the Bank Board. They are not going to be any less significant or less important. But they perhaps will have just a little bit different view taken of them. And that is clearly the point and the perspective that I hope to take to that position.

All kinds of issues, banking versus commerce, State authorities versus Federal insurance. A question that is of utmost significance right now and a question that has to be cogitated and considered in these halls as well as downtown.

Nonbank banks versus unitary holding companies. GAP versus RAP. That may sound like another language, but, indeed, it's not. To some it is, perhaps. Accounting rules. FSLIC. Exit fees. Forbearance. Secondary reserves. Merger of the Fund. Merger of institutions. Merger of the industries. Uniform supervision. Cross marketing. Glass-Steagall. Direct investment. Junk bonds. Travel policy.

You name it. The issues are there.

It has been an honor and a privilege to have been a small part of this committee for the 12 years and 5 months that I have had the good fortune to be a part of it, to have known some of the very finest Members of the Senate and to have been able to have rubbed shoulders with them and to have had their nodding acquaintance is something for which I am deeply glad.

I just hope and pray that my service at the Bank Board will be as successful and as honorable a one as I would like to think that my time here has been.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you very much for an excellent statement. We very much appreciate it.

Danny, in reading your personal statement filed with the committee, I noticed something in your background you've managed to conceal from the committee all these years.

For years you have been listed on the committee publications as "M. Danny Wall." [Laughter.]

I always wondered what the "M." stood for, but no one seemed to know, not even Jake Garn. [Laughter.]

Now while you are testifying under oath, you have to finally come clean with the committee——

[Laughter.]

The "M." stands for Melvin!

Why have you been so secretive about your name? [Laughter.]

Mr. WALL. Well, my father is coming to town in a few days, and perhaps it is a good thing he is not here today, but that is the name my father uses, though it's his middle name. So I was not a junior, there was too much confusion, so I have never used that as a common name.

I could have said, "I'll trade you my first name for your birth date, but I wouldn't say that, Mr. Chairman.

The CHAIRMAN. Well, from now on, as far as I'm concerned, you're "Melvin." [Laughter.]

Some commentators argue that there is no longer any need for a separately chartered, separately regulated thrift industry, whose principal mission is to provide housing finance.

What are your views on that? Has the thrift industry become obsolete?

Mr. WALL. I don't think the thrift industry has become obsolete at all. A couple of years ago, a wag made the point that if the Congress at that point were to have eliminated the thrift industry, we would have to reinvent it. It may be called something different, but there would have to be the system, the structure, the process, in order to provide as reasonable and as moderate cost home finance and finance for those other increments involved in housing, be it subdivision development costs, be they the builders costs, in terms of the investments necessary. So that if there weren't a thrift system, we would have to recreate or invent something by another name.

The CHAIRMAN. And I would like to ask you a question about management judgment. Judgment will be a crucial factor in this job, and now there are many who say that the person who becomes Chairman of the Home Loan Bank Board will have a thankless job. That person will play mortician to a record number of thrifts during the next year, incurring the wrath of countless executives. The Bank Board will be sued endlessly. Uninsured depositors will be very upset.

You sought this job. I have to question your judgment. [Laughter.]

Why?

Mr. WALL. Well, clearly, it is a job almost beyond all challenges, but it is not insurmountable. It is not something that can't be done. There are good people at the Bank Board. There are the capabilities. There is the commitment. I think it is a matter of giving those who are in the positions, in the day-to-day and on the line, so to speak, in the trenches, to draw a parallel, to give them the management support and systems that will make it possible for the process to do what it is supposed to.

The CHAIRMAN. Now the Board has come under public fire, because of its management. Some claim that it is rife with dissension.

How will you make sure it is well-managed and dissension is minimized?

Mr. WALL. Well, no one can ever make sure, but we can certainly do our best. If there is anything that I have ever done in the management responsibilities I have had, and I have been, again, fortunate to have had several over the years, albeit not in huge numbers of people, but I think it is just a matter of a multiplier.

The point I made, to draw another parallel, I grew up in a town of fewer than 300 people. I graduated from college in a city of 50,000. You still had the same factions, you had the same interests, you had the same forces, just more in each group.

In the management sense, the Bank Board is, indeed, going to be a challenge. There is no question about it, but my management style is a hands on, lead by doing kind of process, and clearly, I think that, given the expertise, given the backgrounds of the people involved, they clearly will jump in behind and move forward with the agency and its responsibility.

The CHAIRMAN. Senator Garn.

Senator GARN. It is difficult for me to ask Dan questions. I think I know most of the answers, but without putting you on the spot

today concerning the Senate-passed FSLIC bill, we are facing a conference next week, and the story in the paper today about the continuing problems of the thrifts only brings it more forcefully to our mind once again. I am particularly concerned about not only the $5 billion amount in the House-passed bill, but also the forbearance provisions in the House bill and, regardless of the amount, how that may affect your job and your ability to work with some of these failing institutions, if we had that kind of result out of conference. Would you comment?

Mr. WALL. I think the best way to respond to that, Senator, is, I am a child of the Senate, and clearly, in this case, the Senate has the most wisdom. [Laughter.]

Senator GARN. That answered my question. [Laughter.]

The CHAIRMAN. Senator Sanford.

Senator SANFORD. Well, thank you very much. Our congratulations. You've certainly done a splendid supporting job here now for a number of year, and now you have moved to a policymaking job. We not only congratulate you.

I don't intend to call him Melvin. I didn't even intend to call him Danny. I had written down here, Mr. Wall. [Laughter.]

Let me just ask, so we will have an understanding, and a lot of these thrift people that are here will get an idea, what is your position on the question of whether FSLIC and FDIC insurance funds should be merged?

Mr. WALL. It seems to me that the question of merger of the funds is really not a question that is going to be considered by the Congress. The question of merging the supervisory responsibilities, merging the structure, perhaps that may be considered by the Congress, but it is not, to me, anyway, likely that Congress is going to consider merging the insurance funds themselves, because you are, in one case, bringing a fund that has resources, has significant resources. On the other hand, you would be bringing an insurance liability, subject to what the Congress may have done, as far as FSLIC recap is concerned, together, and that is not an equitable merger. That is not an equitable bringing together.

If it is a matter of bringing together, in order to have uniformed supervisory oversight, and so on, as I say, perhaps the Congress and the administration will address that.

The question of merging the funds, I don't think, is really a near-term kind of question.

Senator SANFORD. Do you feel that there is anything that can be done, or would you like to see something done about State-chartered thrifts insured by FSLIC, that are not really regulated by FSLIC? Do we need to strengthen that tie? Do we need to be able to cut off the insurance, if State regulation is so lax as to endanger the financial stability?

Mr. WALL. I would make a modification, if I might, to the question, and then respond.

State regulation, if I might also add, State authorities. That is, the cases where States permit a wider range of activities for financial institutions. That, of the list of issues that I ran through very briefly for the committee, was number 2, not by coincidence, not by accident. It is clearly a concern that the Congress has to consider and has to address.

You, Senator, Senator Garn, many of the Senators, and all of the Senators on this committee, at one time or another, have identified themselves as defenders of States' rights.

And it's a question. It is a tough question. How do you deal with the decision between whether a State can charter an institution, supervise the institution and permit it to do or not do things, on the one hand, and on the other hand, the Federal Government has the insurance responsibility.

Where and how far in one direction or the other, does the Congress go? That is a very difficult question and one that's got to be dealt with here, in the Hill—on the Hill and with the administration.

Senator SANFORD. And I assume that you are saying that FSLIC has to have more authority to determine the soundness of the FSLIC plan itself. Well, to be sound, it has to have more authority as to what kind of an organization it is insuring.

Mr. WALL. I think it can be argued, at least, that they have sufficient authority, if properly administered and supervised, perhaps at the margin, adjustments may be necessary. Again, as I say, it is a policy question that rests here and with the President.

Senator SANFORD. Well, let me ask you a policy question.

Do you agree with your predecessor on the need for exit fees, and if so, what level do you consider appropriate?

Mr. WALL. That is really a tough question, Senator. And my response to that would be that it's—I don't think that I am in a position to give a specific answer at this point. It is, again, a difficult problem and one that is going to be tussled with by the conferees of the Senate and the House committees and the respective packages as they take it back to their respective bodies.

There are other ways of dealing with the question of a Berlin Wall. We, on the free world side of the Berlin Wall look at it and say, well, it really doesn't work. Maybe an exit fee won't work either. Maybe it has to be built higher. An exit fee question is very difficult one, and it is one that the conferees, I know, are going to spend a lot of time tussling with. It is one of the preeminent questions before the Conference.

Senator SANFORD. Well, we've used up our time.

The CHAIRMAN. Thank you, Senator Sanford. Senator Bond.

Senator BOND. Thank you, Mr. Chairman. I apologize that I was tied up in another hearing and was unable to be here for the beginning.

I want to say how delighted and how pleased I am that Mr. Wall or Melvin or Danny or whatever you call him has been nominated. We are certainly going to miss him and his distinguished leadership at the staff level in this committee. And we trust that we will be able to call on him in the future for advice and guidance, but since I was not here at the beginning, I would appreciate just a very brief summation, perhaps, of the major challenges you see facing the Federal Home Loan Bank Board and what direction, what changes in direction you might offer in that position.

Is there anything that is not being done that you would do, or things that you would wish to be done?

Mr. WALL. I think there has to be—in a management sense, there has to be a clearer set of responsibilities and goals. There has

to be a clearer delegation of authority and responsibility. It cannot be concentrated. There are too many decisions made day to day, week to week for any one person or any group of people in small number to make all of the decisions, to make all of the consideration.

So I think the challenge is, and how would I do it differently that perhaps it's been done, is by delegation, which only can occur if the best people are also involved as part of the team, both those that are that and those additional people that would be brought in in the key positions that are vacant. And there are many vacancies that exist at the very top position. So in some sense, maybe that is an opportunity rather than a problem. It is an opportunity to put very good people in who can give the management direction and give the encouragement necessary to the line people that are there.

There will be a significant expansion in the number of people involved in the FSLIC effort. The OMB and the agency have been involved in discussions and several hundred more employees will be added.

Well, it is going to be a very difficult task to make sure that you are just not adding bodies, but that you are adding expertise, that you are adding it as part of that expansion of workforce, that you have systems and you have the management structure in place, so as to do the task that is before us.

Senator BOND. I would agree with your theory of management, but what management goals would you set?

Mr. WALL. Well, as I say, I think my management system and style is management by example and management by delegation.

Senator BOND. I know, but what goals. I understand the process, but what goals? What would you tell them, here's Priority 1, here's Priority 2? What things need to be done?

Mr. WALL. I think the goals are such that we have to identify for what will be a newly configured Bank Board, all three will have been a very short time in the positions. We will have to identify for ourselves and for our colleagues at the management level, the senior management level and throughout the ranks, so to speak, have to identify what our responsibilities are. And our responsibilities right now are to establish and to deal with, as someone said, two industries. And industry that, on the one hand, is doing very, very well. A number of institutions, fortunately, the vast majority of the institutions are doing very, very well. So it will be an ongoing supervisory and oversight responsibility of those institutions.

On the other hand, as Senator Proxmire has perhaps very appropriately put, it will be putting to rest a number of institutions, as well, in one way or another, be it merger, be it liquidation, be it outright sale.

So that the basic responsibilities and goals and assignments will be, on the one hand, to supervise the healthy segment of the industry, and on the other hand, take that unhealthy segment of the industry out of its misery as quickly as can be done, so as to minimize the negative effect on the healthy side.

Senator BOND. So what would you recommend to your fellow Board members would be the number one management goal or objective?

Mr. WALL. I think the number one management goal is putting into place, as far as FSLIC is concerned, as far—well, as far as the Bank Board is concerned itself, a clear line of responsibility and set of responsibilities for the respective sectors.

As I have said time and again, and I will continue to say that there are very good people there, a lot of very good people there, but in some sense, the various sectors and various divisions have grown so fast, they have lost their way or they don't know their way, and it is a matter of trying to establish that—reestablish that.

The goal will be to deal with the industry where it is. As I say, in the healthy sector and in the unhealthy sector. And dealing with it in the unhealthy sector as expeditiously as can be done, keeping in mind, we have budget limitations, and we have the impact on the industry and the marketplace out there that we have to be concerned about as well, because to go into a given area and liquidate assets of troubled institutions too quickly would be disastrously, not just for those institutions and not just for S&L institutions but for all financial institutions, for the whole industry, whether it be real estate, whether it be construction or whatever might be adversely effected.

Senator BOND. Recognizing, as you do, even better than I, the fact that red light has gone on, I wish you the very best, and I thank the Chairman for the opportunity to ask questions.

The CHAIRMAN. Thank you, Senator Bond.

Senator Dixon was here, he had to leave. He left a statement that he asked to be incorporated into the record, supporting Mr. Wall's nomination.

[The complete prepared statement of Senator Dixon follows:]

STATEMENT OF SENATOR ALAN DIXON

Mr. Chairman, I am pleased to be here this afternoon as the Senate Banking Committee considers the nomination of M. Danny Wall to be Chairman of the Federal Home Loan Bank Board.

If this hearing is intended to inform us as to Mr. Wall's qualifications for that post, however, I have to say that it is totally unnecessary. Every member of this committee is well aware of the fact that Danny has been the Republican staff director of the Banking Committee for a long period of time. We have all had the opportunity to work with him. We all know he will do a great job as chairman.

I, therefore, want to take this opportunity to congratulate Danny on his nomination and to tell Senator Garn what I am sure he already knows: he is losing a top-quality member of his staff. I look forward to working with Danny is his new position.

The CHAIRMAN. And Senator Cranston.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. Danny, I congratulate you and us on your nomination to become head of the Federal Home Loan Bank Board.

I think it is so important that we complete our process and that you be ready to assume the helm of that body on June 30 1987, 12 days from now, that I will not ask you any questions at all. I don't want to delay the process one bit.

And I will use my whip in collaboration with the Chairman and the ranking Republican to make sure we have a quorum next week, Wednesday, so we can act expeditiously on your nomination.

You have been a very fine member of the staff, very fair and very efficient, as is the Senator from Utah, who brought you to us. It reflects well on this committee, when a prominent member of our staff is selected by an administration to move over to the Executive Branch. That bodes well for relationships between the agency and this committee and that all is to the good.

The Bank Board, as you well know, has been under siege for several years and hasn't fared well in some recent battles like over brokered funds, direct investments and other regulatory areas of agreement.

The first task you will have is to work with us to make sure that the FSLIC recapitalization works, and we must make it work, and that the problems that the thrift industry faces in our country are dealt with, and I have great confidence that with your leadership, all of that can be accomplished. And I look forward to working closely with you.

Mr. WALL. Thank you, Senator Cranston.

The CHAIRMAN. Thank you, Senator Cranston. Senator Gramm.

OPENING REMARKS OF SENATOR GRAMM

Senator GRAMM. Well, Mr. Chairman, Machiavelli once said, "In no other way can you get an insight into the prince's character as quickly as looking at those that he surrounds himself with."

And I would like to know, given your past associates, why we should believe you can either be objective and efficient in this job. [Laughter.]

Mr. WALL. I am afraid, Senator, I don't have as an erudite response to that as I would like, but——

[Laughter.]

Senator GRAMM. Well, Mr. Chairman, let me join everybody else in congratulating Danny on his new job. He certainly has an opportunity to make history if the Federal Home Loan Bank Board and FSLIC go under. [Laughter.]

I am confident that is a notable role in the financial history of America that you hope to deny to yourself and the Nation.

And I look forward to working with you in this big job.

Mr. WALL. Thank you very much.

The CHAIRMAN. Thank you, Senator Gramm. Senator Shelby.

OPENING REMARKS OF SENATOR SHELBY

Senator SHELBY. Thank you, Mr. Chairman.

I want to congratulate you or probably send you condolences. I envy you. I know you come off of the committee. You've got a lot of friends here, and I feel like you are not going to have a bit of trouble getting confirmed, if we can get a quorum.

But I would like to know what you are going to do first to reassure a lot of people, not here, out in the country, that are really concerned with the condition of the savings and loans.

You notice—I think Senator Garn's already mentioned or somebody earlier, it was in the paper today, massive withdrawals from

the thrift industry already. I know in some of the oil patch areas, people have feared a run on deposits and this is not far-fetched.

What would you do, as management, to reassure the people that their deposits are safe, or can you do this?

Mr. WALL. I don't mean to be trite. I mean it in the most serious of ways, but I think of the line from the song that says "You want to accentuate the positive and eliminate the negative." And I think that is just exactly what we've got to do.

Senator SHELBY. And how are you going to eliminate the negative?

Mr. WALL. Well, with your help, in terms of a FSLIC recap——

Senator SHELBY. In other words, it's going to take a lot more money than what we're talking about, $5 billion or $6 billion, isn't it?

Mr. WALL. Overall. The question is, in the wisdom of the Congress in working——

Senator SHELBY. Is it going to be increments?

Mr. WALL. That is the point I was going to make, is that you can only spend so much, given market situations and given staff limitations, given competency and just the number of people available.

Senator SHELBY. Have you seen any figures, projected figures on what it might really cost over a 5, 6, 7, 8-year period, whatever it is, to take care of the problems with FSLIC? I've seen numbers high as $28 billion, $30 billion. Is that far-flung?

Mr. WALL. The FSLIC recap plan that was before the Senate and the House last year and this committee and the Senate approved, ultimately, of $15 billion, in terms of borrowing authority, provides for an overall cash flow of $25 billion.

So that hits the number that you identify. There are those naysayers or gloom and doom prophets that say that isn't enough.

Senator SHELBY. Could that be a low call number?

Mr. WALL. I'm sorry?

Senator SHELBY. Could that be a low number? I mean, you've got—how many really are in trouble in this country today? You know, I've seen a number as low as 700, 800 to 1,000. It could be in that area, it could be more; could it not?

Mr. WALL. I don't have inside information yet.

Senator SHELBY. You'll have it soon, though.

Mr. WALL. Yes. But I don't believe the number is that high, Senator. I don't think the numbers of troubled institutions are on the order of 800 or 1,000, by any means.

Senator SHELBY. You don't think they are that high?

Mr. WALL. No, I don't. There is a very strong sector of the industry that has——

Senator SHELBY [continuing]. Is very well.

Mr. WALL. That is doing very well. That's right.

Senator SHELBY. But you also have got some big ones in the country that could take down most of this new infusion of money we are talking about, couldn't they?

Mr. WALL. Could, indeed.

Senator SHELBY. Two or three big ones in some of the Western States, with the oil patch, others could take most of that $5 billion to make them healthy.

Mr. WALL. If there is not the ability to manage the problem.

Senator SHELBY. Uh-huh.

Mr. WALL. That is to say, if there is some kind of a sudden event, that could be the case, yes, but that ought not to be the case.

Senator SHELBY. What could be more sudden than a big run on deposits like is already beginning to happen?

Mr. WALL. There isn't anything that could be much more sudden than that.

Senator SHELBY. But isn't that one of the biggest runs, withdrawal of money?

Mr. WALL. Is it a bigger threat?

Senator SHELBY. Yes, a big threat.

Mr. WALL. It is something about which we all have to be concerned; that's right. There's no question about it. And I think, and I don't mean, in any way, to be improperly advancing pressure, but that is clearly why this Conference next week is so important, to make the statement of Congress and the administration that we decided. This is how we are going to approach the problem, and here it is.

Senator SHELBY. Well, I hope you can save it rather than dissolve it, because if you don't, it's going to dissolve itself.

Thank you.

The CHAIRMAN. Thank you, Senator Shelby. Senator Sarbanes.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Well, thank you, Mr. Chairman.

Mr. Chairman, I made a special effort to get here today. I go to so many nomination hearings, where I sort of shake my head, because I feel that the nominee hasn't even passed the threshold of sort of competence and commitment, that it is a real pleasure to come here, and I say that, and echo the positive comments of my colleagues, not simply because Danny's been for many years now on the staff of the committee, but more important, on how he has conducted himself on the staff of the committee. It is, I think, with great ability. It's always been honorable. He understands that people may differ on the substance of the issues, but to make process work, we have to deal with one another with some degree of respect and reasonableness, and that always, in my perception, at least, characterized his relationship with other staff and with the members of the committee.

This is a very important responsibility that he will be assuming. Others have outlined the seriousness of the problems that will confront him. I think we are sending a good, an extremely good person down to the Board, and I wish him well in this endeavor and assure him of my willingness to try to work with him, as he deals with the problems that are before him, and I really thank him for the service that he has given to the committee. I mean all of the committee. I mean, I think it has characterized his attitude, and it is one reason that I think so many of us are here today to speak in such strong and favorable terms about this nomination.

Mr. WALL. Thank you very much, Senator.

The CHAIRMAN. Thank you, Senator.

Well, congratulations, Mr. Wall.

The committee will meet to vote on your nomination at 9:30 a.m., Wednesday, June 24. That's a week from today. A week from yesterday. Six days from now.

Thank you very much. As everybody has agreed today, we know the kind of ability you have, and I think it is pretty unanimous that the President has made an excellent choice.

Congratulations.

Mr. WALL. Thank you very much, Senator.

The CHAIRMAN. The committee stands in recess,

[Whereupon, at 3:25 p.m., the hearing was adjourned.]

[Biographical sketch of nominee and additional material for the record follows:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: WALL (LAST) MELVIN (FIRST) DANNY (OTHER)

Position to which nominated: Member-Federal Home Loan Bank Board Date of nomination:

Date of birth: 30 (DAY) August (MONTH) 1939 (YEAR) Place of birth: Watertown, South Dakota

Marital status: Married Full name of spouse: Alvina Mae (Todd) Wall

Name and ages of children: Leigh Ann Wall - age 25

Daniel Todd Wall- age 21

Education:

Institution	Dates attended	Degrees received	Dates of degrees
University of Utah Salt Lake City, Utah	Spring Quarter 1974	None	
University of Minnesota Minneapolis, Minnesota	Winter Quarter 1966	None	
North Dakota State Univ. Fargo, North Dakota	1959-1963	Bachelor of Architecture	Spring, 1963
Northern State Teachers Col. Aberdeen, South Dakota	1957-1959	None	
New Effington Independent School District New Effington, SD	1945-1957	H.S. Diploma	1957

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

SEE ATTACHED

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SEE ATTACHED		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

SEE ATTACHED

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

As set forth in my employment history, I have substantial experience in government.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Mandate for Leadership, Chapter entitled Department of Housing and Urban Development; Published by Heritage Foundation 1981. (Published with the assistance of 12 others.)

Annual Review of Banking Law, Volume 2, speech entitled Remarks; Published by Warren, Gorham & Lamont 1983.

Various other speeches have been transcribed and published.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I have always been a registered Republican.

Because of my government employment ever since graduating from college, I have not been active in party activities.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   No

3. Has anybody made you a commitment to a job after you leave government?

   No

4. Do you expect to serve the full term for which you have been appointed?

   Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

(I have been a Federal government employee for the past twelve and one-half years.)

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

(In my capacity as a professional staff member of the Senate Banking Committee I, of course, worked on a number of legislative matters.)

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Not applicable

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

To the best of my recollection, none.

As Executive Director of both the Fargo Urban Renewal Agency (Fargo, North Dakota) from 1964 -1971 and of the Salt Lake City Redevelopment Agency (Salt Lake City, Utah) from 1971 - 1975, it is possible that I was named as a party in a suit or suits against the respective agency. However, such suit(s) would only have included me in my professional capacity as Executive Director.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

HONORS & AWARDS

Valedictorian	New Effington High School	1957
Fred Hatterscheidt Scholarship	Northern State Teachers College Aberdeen, South Dakota	1957-58
Eagle Scout		1958
Kappa Tau Delta	Architectural Honorary Fraternity North Dakota State University Fargo, North Dakota	1961
Outstanding State Project Chrm.	North Dakota Jaycees	1966
Listed in "Outstanding Young Men in America		1967
Giessenbier Award Fargo Jaycee President	Fargo, North Dakota	1968-69
Distinguished Service Award	Fargo Jaycees Fargo, North Dakota	1970
Group Study Exchange to England	Rotary Club Fargo, North Dakota	1970
Junior Chamber International Senator		1971
Life Membership	Ritualistic Divan El Zagel Shrine Fargo, North Dakota	1971

Melvin Danny Wall

MEMBERSHIPS

NAME	ADDRESS	TYPE	FROM	TO	OFFICE
Tuckahoe Recreation Club	1814 Great Falls St. McLean, VA 22101	Recreation	1976	1986	None
Wolftrap Woods Assn.	Vienna, VA 22180	Home Owners	1975	Present	None
Jaycees	Salt Lake City, UT	Service	1971	1974	None
	Fargo, ND		1963	1971	Director V. President President Dist. Chrm. State Editor State Treas.
National Association of Housing and Redevelopment Officials	Salt Lake City, UT	Professional	1971	1975	Chap. Pres.
	Fargo, ND		1968	1971	Reg. Pres.
El Zagal Shrine	Fargo, ND	Fraternal	1964	Present	Pres./V. Pre of Ritual-istic Divan
York Rite Lodge	Fargo, ND	Fraternal	1964	Present	None
Masonic Lodge	New Effington, SD	Fraternal	1963	Present	None
Kappa Tau Delta	ND State Univ. Fargo, ND	Scholastic	1961	1963	Secretary President
American Institute of Architects	ND State Univ. Fargo, ND	Student Chap.	1959	1963	None
Boy Scouts of America	Falls Church, VA	Adult Leader	1975	1982	Asst. Leader
	Salt Lake City, UT	Adult Leader	1974	1974	Neighborhood Commissione
	New Effington, SD	Youth	1950	1959	Misc.

Melvin Danny Wall

EMPLOYMENT RECORD

FROM	TO	NAME OF EMPLOYER AND SUPERVISOR	ADDRESS	TYPE OF WORK	REASON FOR LEAVING
Feb. '75	Present	United States Senate Office of Sen. Jake Garn Comm. on Banking, Housing and Urban Affairs	Washington, DC	Leg. Dir. Min. Staff Dir. Staff Director	
June '71	Jan. '75	Redevelopment Agency (George Catmul) (Conrad Harrison)	Salt Lake City, UT	Exec. Director	Change of Employment
Feb. '62	May '71	Fargo Urban Renewal Agency (Earl Stewart)	Fargo, ND	Draftsman/Planner/Executive Director	Change of Employment
Sept.'61	Oct. '61	Fargo Planning Commiss. (Earl Stewart)	Fargo, ND	Draftsman	Part-time a Student
June '61	Sept. '61	Jim Reed Real Estate	Fargo, ND	Draftsman	Part-time a Student
Sept. '61	Feb. '62	ND State University (Earl Stewart)	Fargo, ND	Student Asst. to Prof.	Part-time a Student
Mar. '61	June '61	Nat. Building Co.	Fargo, ND	Draftsman	Part-time a Student
Sept. '60	June '61	G.R. Kinney Corp. (Mr. Dupree)	Fargo, ND	Salesman	Part-time a Student
June '60	July '60	Lein Construction (Curtis Lein)	New Effington, SD	Carpenter	Summer Employment
June '59	Aug. '59	City of Gettysburg	Gettysburg, SD	Water Safety Instructor	Summer Employment
Jan. '59	May '59	Northern State Teachers College	Aberdeen, SD	Dining Hall	Part-time a Student
June '58	Aug. '58	Pheasant Council Boy Scouts of America	Wilmot, SD	Commissary Director	Return to School
April '58	May '58	City of Aberdeen	Aberdeen, SD	Meter Reader	Part-time a Student
April '58	April '58	Younglove Construction	Aberdeen, SD	Construction	Proj. Comp.
June '57	Aug. '57	Pheasant Council Boy Scouts of America	Wilmot, SD	Asst. Program Director	College
Childhood	June '57	Wall's Grocery Store (Melvin Wall-Father)	New Effington, SD	All Areas in Family Store	College

Melvin Danny Wall

QUALIFICATIONS

Beginning in 1962 (before graduating from college in 1963 with a Bachelor of Architecture Degree) I was employed in local government in two cities, Fargo, North Dakota and Salt Lake City, Utah as a planner/executive director of urban renewal and neighborhood redevelopment agenci4es. Because the agencies were funded partially by Federal funds and partially by local funds, I was involved in going to the capital markets often (quarterly) for funds. That activity provided me with extensive experience with investment bankers, bankers and bond counsel. During those thirteen years I was responsible for contracting for general legal services and miscellaneous consultants as well as acquisition and disposition appraisers. I was involved in several land acquisition and disposition activities involving Central Business Districts and residential neighborhoods in both cities.

Ever since coming to Washington, DC in 1975 with the newly elected Senator Jake Garn, I have been his principal staffer for the Committee on Banking, Housing and Urban Affairs, first as his Director of Legislation for four years, then Minority Staff Director for two years, then Staff Director for six years and Republican Staff Director for the past six months. The Banking Committee service has provided me with a unique perspective into the entire financial services industry as well as each of its parts. I have spoken to industry groups of all kinds and at all levels of sophistication. I have worked closely with all aspects of the Committee's jurisdiction and with individuals and groups from all points of view.

I believe my broad range of experience and knowledge uniquely qualify me for the position for which the President has nominated me.

Melvin Danny Wall

National Association of Home Builders

15th and M Streets, N.W., Washington, D.C. 20005

Telex 89-2600 (202) 822-0400 (800) 368-5242

James M. Fischer, Jr.
1987 President

June 18, 1987

The Honorable William Proxmire, Chairman
Committee on Banking, Housing and Urban Affairs
SD-534 Senate Office Building
Washington, D.C. 20510

Dear Chairman Proxmire:

On behalf of the 147,000 members of the National Association of Home Builders, I am pleased to write in strong support of Dan Wall's confirmation as Chairman of the Federal Home Loan Bank Board. We respectfully request this letter be made a part of the hearing record.

Dan Wall has been actively involved in housing and community development issues since 1963 when he served for seven years as the Executive Director of Fargo, North Dakota Urban Renewal Agency. In 1971 he organized and then became Executive Director of the Salt Lake City Redevelopment Agency. NAHB elected leadership and staff have worked closely with Dan since he came to Washington with Senator Garn in 1975. He has served the Committee with great distinction since 1981 when he became Staff Director of the Senate Banking Committee.

Throughout his career, Dan has been a thoughtful and responsive voice on the critical issues affecting financial institutions and housing. We have always found him to be receptive to the views of the housing industry as well as a person of unquestioned integrity and political acumen.

With the current situation facing the S&L industry, we need the experience and judgment of a Chairman who is familiar with the problems faced by the industry and consumers. I am confident that we have found such a leader in Dan Wall. I enthusiastically recommend the confirmation of Dan Wall as Chairman of the Federal Home Loan Bank Board.

Sincerely,

James M. Fischer, Jr.

James M. Fischer, Jr.
President

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